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Controller Chiang Announces Settlement with MetLife

SACRAMENTO - State Controller John Chiang today announced a multi-state settlement with MetLife, Inc., one of the nation's largest life insurers that will result in an estimated \$500 million in unpaid life insurance and annuity benefits being paid to beneficiaries or states acting on their behalf.

"This latest global agreement will make sure families who have been harmed by MetLife's practices are made whole and receive the life insurance benefits they are owed," Chiang said. "These settlements make it clear that if the industry isn't willing to make the payments legally required, we will take action, including lawsuits, to compel them to do right by their customers."

The Controller and Insurance Commissioner Dave Jones in May 2011 jointly held an investigative hearing regarding MetLife's use of the Social Security Administration's "Death Master File," which is a database of deceased individuals. The hearing revealed that MetLife had information about the deaths of life insurance policyholders from the Death Master File, but did not use that information to pay benefits. The hearing also confirmed that MetLife was not forwarding the life insurance benefits as "unclaimed property" to the State Controller after three years, as required by state law.

Administered by the Controller, the California unclaimed property program generally provides that businesses must send lost or abandoned financial accounts to the State after three years of inactivity in order to safeguard private property from being lost during mergers or bankruptcies, drawn down by service or storage fees, or simply used by private interests. The Controller maintains an unclaimed property database accessible by any California resident to identify all unclaimed property the State has collected on their behalf. The database is available at www.claimit.ca.gov.

Controller Chiang began auditing insurance company practices in 2008. The investigation revealed an industry-wide practice of insurance companies failing to pay death benefits to the beneficiaries of life insurance policies, despite having information from the Death Master File that policyholders had died. Some companies would draw down the policies' cash reserves in order to continue collecting premium payments from the deceased. Once the cash reserves were depleted, the company would cancel the policy. The Controller's audits also found that insurers did not routinely cross-check the owners of dormant accounts with the Social Security Administration's Death Master File or other similar government databases. In some cases, the company had direct knowledge of the death of a policy owner, but still did not notify the beneficiaries.

Under terms of the Controller's agreement, which goes into effect once 20 of the states participating in the audit sign, MetLife will pay \$500 million. California's share of the

settlement has not yet been determined, but is expected to be approximately \$40 million. The State will use those funds to pay life insurance beneficiaries. MetLife also has agreed to pay the State Controller's Office for the costs of identifying beneficiaries and reuniting them with their unclaimed insurance benefits. So far, more than 30,000 MetLife policies are expected to be sent to the State of California under the agreement. The average cash value of the policies is about \$1,200.

Today's settlement between MetLife and Controller Chiang requires MetLife and its predecessors and subsidiaries to do the following:

- Restore the full value of impacted accounts;
- Fully comply with California's unclaimed property laws and cooperate with the Controller's efforts to reunite millions of dollars in death benefits and matured annuities with their owners or, in many cases, the owners' heirs;
- Pay the beneficiaries three percent compounded interest on the value of the held amounts from the date of the owner's death or January 1, 1995, whichever is later;
- Use the date of death as reflected in the Social Security Administration's Death Master File to establish the start of the three-year unclaimed property dormancy period.

This is the third insurance company to settle with Controller Chiang, who launched an audit of 26 companies across the country to determine the industry's compliance with state unclaimed property laws. The Controller reached similar agreements -- totaling more than \$40 million for California -- with insurer John Hancock in May 2011 and with Prudential Insurance in December 2011.

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